

TO: Distribution
FROM: Thomas Lauinger
SUBJECT: 1995 Fall Splash Report

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Overview

In September 1995, Virginia Slims ran a special "buy down" retail program in its key markets. The strategy entailed \$0.20 off pack, and \$2.00 off carton, which also included highly visible price call outs on free standing displays.

However, the program did not meet the penetration levels anticipated, nor did it fully meet the objectives of the program. The following outlines the specifics of the program, what problems occurred, and recommendations for similar programs in the future.

Program Objectives

- Improve Slims retail visibility.
- Reinforce Slims image and leadership position among female smokers.
- Encourage purchase/continuity among Slims smokers.
- Incent trial/repeat purchase among key competitive smokers.
- Penetrate 70% of all Retail Masters (RM), and 40% non-RM in 45 key markets.

Additional Results

Audit

Results from the Full Line Research audits conducted before (w/o 8/28) and during (w/o 9/18) Fall Splash, showed incidence of the "One Hot Deal" at less than 10% of the stores. However, there was a slightly greater increase in Virginia Slims temporary POS (approx. 15%), suggesting retailers may have used other POS for the buy down. Furthermore information also suggests that some retailers may have started the program as late as October, and may not have had the POS up at the time of the audit.

Finance

Out of a total budget of \$4.0MM budget, \$3.1MM or 77.5% of the budget was expended. One reason the budget expended was so much higher in proportion to penetration levels was due to the fact that the stores that participated were often significantly above their expected budgets. However, it is difficult to determine how much of the buydown was passed through to consumers.

Explanation of Results

Our primary concern in determining why the penetration levels were not met was to determine how we should proceed in the future. The following list presents some of the feedback that was received from trade marketing, SAM's, and various levels of the sales force (across all regions).

- **Retailer Apathy:** Many of the retailers had not yet been paid for the recall and/or the Summer Sales Spectacular. This made them less likely to be involved with another program in which they would not receive their payments until the program's conclusion.

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- **Work load:** To execute this program was labor intensive for both TSM's and Retailers. For each account it involved a count/recount, and stickering of product. It logistically becomes very time consuming for what is considered a "small program".
- **Scheduling problems:** Due to the fact that the Splash was originally scheduled for June, and then moved to the Fall, the sales force was not clearly focused on the promotion. Also, due to disrupted vacation schedules from the recall, and increased meeting activity in September the TSM's were not in full force during this month.
- **Hot Keys:** For chains, each special offer needs to be set up on the cash register as a "hot key". However, there are only a limited amount of these keys available. Therefore, these retailer are not as likely to allocate a hot key for a three share brand.

Recommendation

From discussions with the sales force, all the people interviewed feel that a price off promotion can be successful for Virginia Slims. No one felt that the objectives of the program were too aggressive for a 3 share brand. The only problem that we may have difficulty addressing if we were to attempt such a program again, would be the issue of the hot keys (see above). To counter this effectively, it was felt that a full "OPB" price promotion would be needed to satisfy the larger chains.

The other issues that led to penetration problems can be accounted for. The rescheduling of the program was particularly damaging causing retailer apathy and scheduling problems (see above), but this was a non-recurring event, and therefore shouldn't be a factor in future programs.

The major issue that needs to be addressed concerns the work load for both the TSM's and the retailers. In future price promotions, it may be simpler for the trade, rather than a count/recount, to have a defined amount of product that they are allowed to sell into a given store, over a given period of time. For example, if a given store averages 100 cartons per month of VS, allow them 125 cartons marked down. This makes the TSM's job much simpler for tracking, and the retailers get their money up front. Ideally, we would have enough time to sticker the product at Pre-Con as a fraud prevention measure. However, as we are often working under time constraints with price promotions, it would be contingent upon the sales force to mark the product and take their own measures against fraud. Even having to manually mark product down, this method would make the program a much easier sell than a count/recount process.

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